

FREMONT COMMUNITY SCHOOL DISTRICT  
FREMONT, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

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# FREMONT COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Larry Crosby	President	2005
Bryan Archer	Vice President	2005
Diane Darland	Board Member	2004
Gary Mitterer	Board Member	2004
Sherri Baxter	Board Member	2005
<u>Board of Education</u>		
(After September 2003 Election)		
Larry Crosby	President	2006
Bryan Archer	Vice President	2005
Diane Darland	Board Member	2004
Gary Mitterer	Board Member	2004
Sherri Baxter	Board Member	2005
<u>School Officials</u>		
Dr. Wayne S. Sesker	Interim Superintendent	2004
Jacquelyn Perkins	District Secretary/Treasurer (Resigned 9-18-03)	2004
Amie Riley	District Secretary/Treasurer (Appointed 10-4-03)	2004
Richard Gaumer	Attorney	2004

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Fremont Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Fremont Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Fremont Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Fremont Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated September 15, 2004 on our consideration of Fremont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 36 through 38 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont Community School District's basic financial statements. The financial statements for the three years ended June 30, 2003 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
September 15, 2004

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## Basic Financial Statements

## FREMONT COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 503,330	\$ 1,661	\$ 504,991
Receivables:			
Property tax:			
Current year	10,161	-	10,161
Succeeding year	513,000	-	513,000
Interfund receivables (payables)	41,896	(41,896)	-
Income surtax	32,189	-	32,189
Accounts	219	-	219
Due from other governments	45,602	1,291	46,893
Capital assets, net of accumulated depreciation (note 5)	1,365,331	3,901	1,369,232
<b>Total assets</b>	<b>2,511,728</b>	<b>(35,043)</b>	<b>2,476,685</b>
<b>Liabilities</b>			
Accounts payable	84,091	2,499	86,590
Salaries and benefits payable	83,181	-	83,181
Accrued interest payable	8,410	-	8,410
Deferred revenue:			
Succeeding year property tax	513,000	-	513,000
Long-term liabilities (note 6):			
Portion due within one year:			
Bonds payable	55,000	-	55,000
Portion due after one year:			
Bonds payable	865,000	-	865,000
<b>Total liabilities</b>	<b>1,608,682</b>	<b>2,499</b>	<b>1,611,181</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	445,331	\$ 3,901	\$ 449,232
Restricted for:			
Management levy	46,585	-	46,585
Physical plant and equipment levy	81,020	-	81,020
Other special revenue purposes	34,876	-	34,876
Unrestricted	295,234	(41,443)	253,791
<b>Total net assets</b>	<b>\$ 903,046</b>	<b>\$ (37,542)</b>	<b>\$ 865,504</b>

See notes to financial statements.



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FREMONT COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 912,517	\$ 75,534	\$ 91,074
Special instruction	254,925	-	28,407
Other instruction	21,042	22,656	-
	<u>1,188,484</u>	<u>98,190</u>	<u>119,481</u>
Support services:			
Student services	4,693	1,908	-
Instructional staff services	33,975	-	-
Administration services	176,178	-	-
Operation and maintenance of plant services	146,209	1,968	-
Transportation services	39,847	-	551
	<u>400,902</u>	<u>3,876</u>	<u>551</u>
Non-instructional programs	<u>18,568</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Long-term debt interest and fiscal charges	52,683	-	-
AEA flowthrough	53,473	-	53,473
Depreciation (unallocated) *	31,513	-	-
	<u>137,669</u>	<u>-</u>	<u>53,473</u>
Total governmental activities	1,745,623	102,066	173,505
Business-Type Activities:			
Non-instructional programs:			
Food service operations	45,642	21,903	20,196
Daycare operations	97,116	82,617	-
	<u>142,758</u>	<u>104,520</u>	<u>20,196</u>
Total	\$ 1,888,381	\$ 206,586	\$ 193,701

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (745,909)	\$ -	\$ (745,909)
(226,518)	-	(226,518)
1,614	-	1,614
(970,813)	-	(970,813)
(2,785)	-	(2,785)
(33,975)	-	(33,975)
(176,178)	-	(176,178)
(144,241)	-	(144,241)
(39,296)	-	(39,296)
(396,475)	-	(396,475)
(18,568)	-	(18,568)
(52,683)	-	(52,683)
-	-	-
(31,513)	-	(31,513)
(84,196)	-	(84,196)
(1,470,052)	-	(1,470,052)
-	(3,543)	(3,543)
-	(14,499)	(14,499)
-	(18,042)	(18,042)
\$ (1,470,052)	\$ (18,042)	\$ (1,488,094)

FREMONT COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs

---

General Revenues:

Property tax levied for:

General purposes

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 11)

Net assets end of year

\* = This amount excludes the depreciation that is included  
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 561,518	\$ -	\$ 561,518
51,711	-	51,711
32,678	-	32,678
120,303	-	120,303
554,104	-	554,104
3,691	102	3,793
30,304	-	30,304
1,354,309	102	1,354,411
(115,743)	(17,940)	(133,683)
1,018,789	(19,602)	999,187
<u>\$ 903,046</u>	<u>\$ (37,542)</u>	<u>\$ 865,504</u>

## FREMONT COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2004

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 292,000	\$ 65,560	\$ 145,770	\$ 503,330
Receivables:				
Property tax:				
Current year	8,895	849	417	10,161
Succeeding year	449,000	41,000	23,000	513,000
Income surtax	32,189	-	-	32,189
Interfund receivable (note 3)	41,334	25,000	17,371	83,705
Accounts	219	-	-	219
Due from other governments	29,020	-	16,582	45,602
Total assets	\$ <u>852,657</u>	\$ <u>132,409</u>	\$ <u>203,140</u>	\$ <u>1,188,206</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 73,582	\$ 10,389	\$ 120	\$ 84,091
Salaries and benefits payable	83,181	-	-	83,181
Interfund payable	41,262	-	547	41,809
Deferred revenue:				
Succeeding year property tax	449,000	41,000	23,000	513,000
Other	32,189	-	-	32,189
Total liabilities	679,214	51,389	23,667	754,270
Fund balance:				
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	81,461	81,461
Undesignated	173,443	81,020	98,012	352,475
Total fund balances	173,443	81,020	179,473	433,936
Total liabilities and fund balances	\$ <u>852,657</u>	\$ <u>132,409</u>	\$ <u>203,140</u>	\$ <u>1,188,206</u>

See notes to financial statements.

FREMONT COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2004

Total fund balances of governmental funds	\$ 433,936
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,365,331
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	32,189
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(8,410)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(920,000)</u>
Net assets of governmental activities	<u>\$ 903,046</u>
See notes to financial statements.	

FREMONT COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 569,183	\$ 51,708	\$ 144,889	\$ 765,780
Tuition	75,534	-	-	75,534
Other	36,500	579	23,448	60,527
State sources	691,068	3	-	691,071
Federal sources	36,541	-	-	36,541
Total revenues	1,408,826	52,290	168,337	1,629,453
Expenditures:				
Current:				
Instruction:				
Regular instruction	920,401	-	-	920,401
Special instruction	254,925	-	-	254,925
Other instruction	4,797	-	16,245	21,042
	1,180,123	-	16,245	1,196,368
Support services:				
Student services	4,693	-	-	4,693
Instructional staff services	33,975	-	-	33,975
Administration services	184,048	-	-	184,048
Operation and maintenance of plant services	131,944	109,671	165	241,780
Transportation services	33,222	-	-	33,222
	387,882	109,671	165	497,718
Non-instructional programs	18,568	-	-	18,568
Other expenditures:				
Long term debt:				
Principal	-	-	50,000	50,000
Interest and fiscal charges	-	-	53,100	53,100
AEA flowthrough	53,473	-	-	53,473
	53,473	-	103,100	156,573
Total expenditures	1,640,046	109,671	119,510	1,869,227
Excess (deficiency) of revenues over (under) expenditures	(231,220)	(57,381)	48,827	(239,774)



FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Interfund transfers in (note 4)	\$ -	\$ -	\$ 92,505	\$ 92,505
Interfund transfers out (note 4)	-	-	(92,505)	(92,505)
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(231,220)	(57,381)	48,827	(239,774)
Fund balances beginning of year	404,663	138,401	130,646	673,710
Fund balances end of year	\$ <u>173,443</u>	\$ <u>81,020</u>	\$ <u>179,473</u>	\$ <u>433,936</u>

See notes to financial statements.

## FREMONT COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (239,774)

Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 120,678	
Depreciation expense	<u>(47,491)</u>	73,187

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. 427

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 50,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 417

Change in net assets of governmental activities \$ (115,743)

See notes to financial statements.

## FREMONT COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2004

	Enterprise		
		Nonmajor Enterprise	
	Daycare	School Nutrition	Total
Assets			
Cash and cash equivalents	\$ -	\$ 1,661	\$ 1,661
Receivables:			
Interfund receivable	-	52	52
Due from other governments	-	1,291	1,291
Capital assets, net of accumulated depreciation	-	3,901	3,901
Total assets	-	6,905	6,905
Liabilities			
Interfund payables	36,015	5,933	41,948
Accounts payable	-	2,499	2,499
Total liabilities	36,015	8,432	44,447
Net Assets			
Invested in capital assets, net of related debt	-	3,901	3,901
Unrestricted	(36,015)	(5,428)	(41,443)
Total net assets	\$ (36,015)	\$ (1,527)	\$ (37,542)

See notes to financial statements.

FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2004

	Enterprise		
		Nonmajor Enterprise	
	Daycare	School Nutrition	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 82,617	\$ 21,903	\$ 104,520
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	73,486	18,993	92,479
Benefits	10,888	2,729	13,617
Purchased services	991	44	1,035
Supplies	11,751	23,707	35,458
Depreciation	-	169	169
	97,116	45,642	142,758
Operating loss	(14,499)	(23,739)	(38,238)
Non-operating revenues:			
Interest on investments	102	-	102
State sources	-	649	649
Federal sources	-	19,547	19,547
Total non-operating revenues	102	20,196	20,298
Change in net assets	(14,397)	(3,543)	(17,940)
Net assets beginning of year	(21,618)	2,016	(19,602)
Net assets end of year	\$ (36,015)	\$ (1,527)	\$ (37,542)

See notes to financial statements.

FREMONT COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2004

	Enterprise		
		Nonmajor Enterprise School	
	Daycare	Nutrition	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	\$ 24,852	\$ 24,852
Cash received from daycare activities	93,337	-	93,337
Cash payments to employees for services	(89,862)	(21,722)	(111,584)
Cash payments to suppliers for goods or services	(11,998)	(20,047)	(32,045)
Net cash used in operating activities	(8,523)	(16,917)	(25,440)
Cash flows from non-capital financing activities:			
Increase in due to other funds (pooled cash)	5,180	-	5,180
State grants received	-	649	649
Federal grants received	-	15,293	15,293
Net cash provided by non-capital financing activities	5,180	15,942	21,122
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(4,070)	(4,070)
Cash flows from investing activities:			
Interest on investments	102	-	102
Net increase in cash and cash equivalents	(3,241)	(5,045)	(8,286)
Cash and cash equivalents beginning of year	3,241	6,706	9,947
Cash and cash equivalents end of year	\$ -	\$ 1,661	\$ 1,661

FREMONT COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2004

	Enterprise		
		Nonmajor Enterprise	
	Daycare	School Nutrition	Total
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (14,499)	\$ (23,739)	\$ (38,238)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	-	169	169
Commodities used	-	2,963	2,963
Decrease in accounts receivable	10,720	-	10,720
(Increase) in interfund receivables	-	(14)	(14)
Decrease in inventories	-	1,050	1,050
Increase (decrease) in accounts payable	(266)	2,499	2,233
(Decrease) in salaries and benefits payable	(5,488)	-	(5,488)
Increase in interfund payables	1,010	155	1,165
Net cash used in operating activities	\$ <u>(8,523)</u>	\$ <u>(16,917)</u>	\$ <u>(25,440)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$2,963 of federal commodities.

See notes to financial statements.

# FREMONT COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### Note 1. Summary of Significant Accounting Policies

Fremont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through eight. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Fremont, Iowa, and agricultural territory in Keokuk, Mahaska, and Wapello Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Fremont Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Fremont Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

FREMONT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue Fund, Physical Plant and Equipment Levy is used for maintenance and operation of the District's physical plant and for purchase of certain items of equipment.

The District reports the following major proprietary fund:

The Enterprise, Daycare Fund is used to account for the daycare operations of the District.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.



FREMONT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

FREMONT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

FREMONT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	25-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave benefits. Employees are not paid for unused vacation or sick leave benefits per District policy.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

FREMONT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the instruction, support services, and non-instructional functional areas exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$187,830 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

FREMONT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 3. Interfund Receivables/Payables

The following is a summary of the District's interfund receivables and payables at June 30, 2004:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Amounts resulting from pooled cash:		
General	Enterprise, Daycare	\$ <u>5,180</u>
Amounts resulting from other transactions:		
Various	Various	<u>78,577</u>
		\$ <u><u>83,757</u></u>

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u><u>92,505</u></u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

FREMONT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated (note 11)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 27,500	\$ -	\$ -	\$ 27,500
Capital assets being depreciated:				
Buildings	1,641,000	21,733	-	1,662,733
Improvements other than buildings	3,963	-	-	3,963
Furniture and equipment	153,255	98,945	-	252,200
Total capital assets being depreciated	<u>1,798,218</u>	<u>120,678</u>	<u>-</u>	<u>1,918,896</u>
Less accumulated depreciation for:				
Buildings	410,320	31,315	-	441,635
Improvements other than buildings	99	198	-	297
Furniture and equipment	123,155	15,978	-	139,133
Total accumulated depreciation	<u>533,574</u>	<u>47,491</u>	<u>-</u>	<u>581,065</u>
Total capital assets being depreciated, net	<u>1,264,644</u>	<u>73,187</u>	<u>-</u>	<u>1,337,831</u>
Governmental activities capital assets, net	<u>\$ 1,292,144</u>	<u>\$ 73,187</u>	<u>\$ -</u>	<u>\$ 1,365,331</u>

FREMONT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ -	\$ 4,070	\$ -	\$ 4,070
Less accumulated depreciation	-	169	-	169
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ 3,901</u>	<u>\$ -</u>	<u>\$ 3,901</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 2,675

Support services:

Administration

875

Operation and maintenance of plant services

5,803

Transportation

6,625

15,978

Unallocated depreciation

31,513

Total governmental activities depreciation expense

\$ 47,491

Business-type activities:

Food service operations

\$ 169

FREMONT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	General Obligation Bonds
Balance beginning of year	\$ 970,000
Additions	-
Reductions	<u>50,000</u>
Balance end of year	<u>\$ 920,000</u>
Due within one year	<u>\$ 55,000</u>

Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Interest	Principal	Total
2005	5.000 %	\$ 50,462	\$ 55,000	\$ 105,462
2006	5.100	47,713	60,000	107,713
2007	5.200	44,652	65,000	109,652
2008	5.300	41,273	65,000	106,273
2009	5.400	37,827	70,000	107,827
2010	5.500	34,048	75,000	109,048
2011	5.550	29,922	80,000	109,922
2012	5.600	25,483	80,000	105,483
2013	5.650	21,002	85,000	106,002
2014	5.650	16,200	90,000	106,200
2015	5.700	11,115	95,000	106,115
2016	5.700	<u>5,700</u>	<u>100,000</u>	<u>105,700</u>
Total		<u>\$ 365,397</u>	<u>\$ 920,000</u>	<u>\$ 1,285,397</u>



# FREMONT COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$40,798, \$39,979, and \$37,285 respectively, equal to the required contributions for each year.

### Note 8. Risk Management

Fremont Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$53,473 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### Note 10. Financial Condition

The District had unrestricted net assets deficits in the Enterprise, Daycare, and Enterprise, School Nutrition Funds of \$36,015 and \$5,428, respectively, at June 30, 2004.

### Note 11. Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; were implemented during the year June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

FREMONT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 11. Accounting Change (continued)

The District-wide financial statements separate the District's programs between business-type and governmental activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			
	Special			
	Revenue			
	Physical			
	Plant and			
	Equipment			
	General	Levy	Nonmajor	Total
Net assets, June 30, 2003, as previously reported	\$ 404,663	\$ 138,401	\$ 130,646	\$ 673,710
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$533,574				1,292,144
Long-term liabilities:				
Bonds and notes				(970,000)
Accrued interest payable				(8,827)
Deferred revenue				31,762
Net assets, July 1, 2003, as restated				\$ 1,018,789

## Required Supplementary Information

FREMONT COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds  
and Proprietary Fund  
Required Supplementary Information  
Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 870,501	\$ 118,291	\$ 988,792	\$ 1,013,483	\$ (24,691)
State sources	658,274	649	658,923	749,010	(90,087)
Federal sources	37,485	18,256	55,741	96,100	(40,359)
Total receipts	1,566,260	137,196	1,703,456	1,858,593	(155,137)
DISBURSEMENTS:					
Instruction	1,178,212	-	1,178,212	1,100,000	(78,212)
Support services	470,015	-	470,015	371,000	(99,015)
Non-instructional programs	18,568	150,662	169,230	4,000	(165,230)
Other expenditures	156,573	-	156,573	160,278	3,705
Total disbursements	1,823,368	150,662	1,974,030	1,635,278	(338,752)
Excess (deficiency) of receipts over (under) disbursements	(257,108)	(13,466)	(270,574)	223,315	(493,889)
Balance beginning of year	760,438	9,947	770,385	782,317	(11,932)
Balance end of year	\$ <u>503,330</u>	\$ <u>(3,519)</u>	\$ <u>499,811</u>	\$ <u>1,005,632</u>	\$ <u>(505,821)</u>

See accompanying independent auditor's report.

# FREMONT COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 1,566,260	\$ 63,193	\$ 1,629,453
Expenditures	1,823,368	45,859	1,869,227
Net	(257,108)	17,334	(239,774)
Beginning fund balances	760,438	(86,728)	673,710
Ending fund balances	<u>\$ 503,330</u>	<u>\$ (69,394)</u>	<u>\$ 433,936</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 137,196	\$ (12,378)	\$ 124,818
Expenses	150,662	(7,904)	142,758
Net	(13,466)	(4,474)	(17,940)
Beginning net assets	9,947	(29,549)	(19,602)
Ending net assets	<u>\$ (3,519)</u>	<u>\$ (34,023)</u>	<u>\$ (37,542)</u>

See accompanying independent auditor's report.

FREMONT COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements in the instruction, support services, and non-instructional programs functional areas exceeded the amounts budgeted.

## Other Supplementary Information

## FREMONT COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2004

	Special Revenue			
	Management	Student	Capital	
	Levy	Activity	Projects	Total
Assets				
Cash and pooled investments	\$ 46,283	\$ 35,304	\$ 64,183	\$ 145,770
Receivables:				
Property tax:				
Current year	417	-	-	417
Succeeding year	23,000	-	-	23,000
Interfund receivable	5	119	17,247	17,371
Due from other governments	-	-	16,582	16,582
Total assets	<u>\$ 69,705</u>	<u>\$ 35,423</u>	<u>\$ 98,012</u>	<u>\$ 203,140</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 120	\$ -	\$ -	\$ 120
Interfund payable	-	547	-	547
Deferred revenue:				
Succeeding year property tax	23,000	-	-	23,000
Total liabilities	<u>23,120</u>	<u>547</u>	<u>-</u>	<u>23,667</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>46,585</u>	<u>34,876</u>	<u>98,012</u>	<u>179,473</u>
Total liabilities and fund equity	<u>\$ 69,705</u>	<u>\$ 35,423</u>	<u>\$ 98,012</u>	<u>\$ 203,140</u>

See accompanying independent auditor's report.



## FREMONT COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2004

	Special Revenue				
	Management	Student	Debt	Capital	
	Levy	Activity	Service	Projects	Total
Revenues:					
Local sources:					
Local tax	\$ 24,586	\$ -	\$ -	\$ 120,303	\$ 144,889
Other	73	22,832	78	465	23,448
Total revenues	24,659	22,832	78	120,768	168,337
Expenditures:					
Current:					
Instruction:					
Other instruction	-	16,245	-	-	16,245
Support services:					
Operation and maintenance of plant services	165	-	-	-	165
Other expenditures:					
Long term debt:					
Principal	-	-	50,000	-	50,000
Interest and fiscal charges	-	-	53,100	-	53,100
Total expenditures	165	16,245	103,100	-	119,510
Excess (deficiency) of revenues over (under) expenditures	24,494	6,587	(103,022)	120,768	48,827
Other financing sources (uses):					
Interfund transfers in	-	-	92,505	-	92,505
Interfund transfers out	-	-	-	92,505	92,505
Total other financing sources (uses)	-	-	92,505	92,505	185,010
Excess (deficiency) of revenues over (under) expenditures and other financing uses	24,494	6,587	(10,517)	28,263	48,827
Fund balances beginning of year	22,091	28,289	10,517	69,749	130,646
Fund balances end of year	\$ 46,585	\$ 34,876	\$ -	\$ 98,012	\$ 179,473

See accompanying independent auditor's report.

## FREMONT COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
ELP - TAG Activities	\$ 77	\$ 270	\$ -	\$ 347
6th Grade Activities	-	47	45	2
7th Grade Activities	412	380	112	680
8th Grade Activities	450	638	647	441
Student Council	1,067	507	2,361	(787)
Yearbook	1,817	1,067	1,307	1,577
District-wide Activities	16,934	5,586	1,834	20,686
Book Fair	1,338	1,537	4,191	(1,316)
Fundraiser	308	326	99	535
Sports	2,959	-	-	2,959
Cafeteria Benefits Plan	1,806	2,262	118	3,950
Afterschool	32	-	28	4
LIKE	1,089	10,212	5,503	5,798
Total	\$ 28,289	\$ 22,832	\$ 16,245	\$ 34,876

See accompanying independent auditor's report.

FREMONT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 765,780	\$ 807,701	\$ 720,850	\$ 697,939
Tuition	75,534	77,996	63,409	65,675
Other	60,527	35,454	47,318	64,680
Intermediate sources	-	-	-	3,000
State sources	691,071	720,808	753,781	785,240
Federal sources	36,541	69,757	30,112	31,090
Total revenues	<u>\$ 1,629,453</u>	<u>\$ 1,711,716</u>	<u>\$ 1,615,470</u>	<u>\$ 1,647,624</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 920,401	\$ 768,102	\$ 775,568	\$ 774,537
Special instruction	254,925	230,408	231,342	190,290
Other instruction	21,042	19,447	14,777	39,801
Support services:				
Student services	4,693	27,489	18,823	11,198
Instructional staff services	33,975	39,970	45,328	22,989
Administration services	184,048	183,450	175,290	154,768
Operation and maintenance of plant services	241,780	160,885	98,224	69,538
Transportation services	33,222	36,522	23,053	41,547
Non-instructional programs	18,568	-	2,967	-
Other expenditures:				
Facilities acquisition	-	-	19,190	23,484
Long-term debt:				
Principal	50,000	50,000	45,000	45,000
Interest and fiscal charges	53,100	55,888	58,619	61,438
AEA flowthrough	53,473	57,320	57,628	60,735
Total expenditures	<u>\$ 1,869,227</u>	<u>\$ 1,629,481</u>	<u>\$ 1,565,809</u>	<u>\$ 1,495,325</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of  
Fremont Community School District:

We have audited the financial statements of Fremont Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 15, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Fremont Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Fremont Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items II-J-04 and II-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fremont Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-04 and I-B-04 are material weaknesses. Prior year reportable conditions have been resolved except for items I-A-04 and I-B-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fremont Community School District and other parties to whom Fremont Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Fremont Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
September 15, 2004

FREMONT COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

- I-A-04 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank deposits, bank reconciliations, and the posting of the cash journals, payroll and payroll records are all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate available alternatives and implement changes where deemed necessary and efficient.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-B-04 Accounting Records – The accounting records (both manual and computerized) were not accurate. The computer records did not include all transactions of the District and contained various checks that had been voided but still remained in the computer system. The interest earned on the ISJIT account had not been recorded in the accounting system. There were numerous misclassifications noted in the accounting records, both in fund and account codes. Also, the Board Secretary maintained a manual record for all bank accounts; however, these records were not accurate. We were not able to find various items such as W-4's and were unable to reconcile wages reported per general ledger accounts to wages reported to Workforce of Iowa. In addition, we noted that no IRS Form 1099's had been filed for outside services exceeding \$600. Finally, we noted that the District backs up the financial records on a daily basis but the backup disks are not stored offsite.

Recommendation – The District should make changes in its accounting department or personnel to ensure that accurate and adequate records are maintained. All backup records should be stored offsite to protect District financial records in case of a catastrophe.

Response – Our Board Secretary resigned in September 2003 and we have subsequently hired a new board Secretary. We are continuing to work with the AEA to help train the new Board Secretary and get our accounting records current. We feel we are making excellent progress in this area.

Conclusion – Response accepted.

FREMONT COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- I-C-04 Netting of Revenues and Expenditures – We noted several instances where expenditures were netted to revenue accounts.

Recommendation – This practice bypasses the budgeting process and understates both revenues and expenditures. All expenditures should be properly recorded in the future and the District should avoid the netting of any transactions.

Response – We will properly record all expenditures in the future to avoid bypassing the budget and to properly reflect all transactions.

Conclusion – Response accepted.

- I-D-04 Disbursement Support – We noted three disbursements made without any supporting invoices or other documentation. We also noted two additional disbursements made with only a statement for support, with no detail as to amounts represented on the statement.

Recommendation – In the future, the District should require full support documentation prior to the issuance of any disbursements. This creates better controls over all District disbursements.

Response – We will require full documentation for all future disbursements.

Conclusion – Response accepted.

- I-E-04 Disbursement Approval – We noted eleven disbursements made without any approval by the Board as required by Chapter 279.29 of the Code of Iowa.

Recommendation – This procedure weakens the control the Board has over disbursements and weakens the control of the District over the underlying asset. All disbursements should be properly approved in the future.

Response – We will properly approve all disbursements, as required, in the future.

Conclusion – Response accepted.

- I-F-04 Payroll Records – We noted one teacher's contract that was changed mid-year but the District had no supporting documentation as to the reason for the change. In addition, we noted one employee was overpaid for one period by \$92.

Recommendation – The District should maintain all records for any future contract amendments. The District should seek reimbursement for the overpaid wages.

Response – We will maintain proper records in the future for all changes to contracts. We will contact the employee involved for reimbursement of the overpayment.

Conclusion – Response accepted.

FREMONT COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- I-G-04 Meal Revenues – The District accounts for all Enterprise, School Nutrition Fund sales through one revenue code. As one result of this, we were unable to complete an accurate analytical test comparing projected meal revenues with actual revenues.

Recommendation – The State of Iowa requires the District be able to track all sales of reimbursable student lunches, student breakfasts, and milk sales through the District system. The District should set up revenue accounts for all necessary types of revenue in the School Nutrition fund to be in compliance with School Fund Authority requirements and to enable the District to track and monitor food service sales and revenues.

Response – We will investigate setting up the proper accounts needed and will monitor food service revenues in the future.

Conclusion – Response accepted.

- I-H-04 Receipt Documentation – We noted several receipts with no supporting documentation. In addition, we noted that several deposits of receipts were not made on a timely basis.

Recommendation – To protect the underlying asset and to facilitate the tracking of revenues through the District's system, all supporting receipt documentation should be maintained. The timely deposit of all receipts would further protect the underlying assets.

Response – We will maintain better supporting documentation for all receipts and we will try to make more timely deposits in the future.

Conclusion – Response accepted.



# FREMONT COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS

Year Ended June 30, 2004

### Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, exceeded the amounts budgeted in the instruction, support services, and non-instructional programs functional areas.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend our budget before disbursements exceed the budget.

Conclusion – Response accepted.

II-C-04 Questionable Expenditures – We noted one expenditure that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. This disbursement was for an unallowable cafeteria plan reimbursement whereby the District made the mortgage payment for one employee.

Recommendation – The District should monitor all future disbursements for the public purpose served and disallow any that don't serve this purpose. The District should seek reimbursement for the mortgage payment.

Response – We will monitor all future disbursements to insure the public purpose is served. We will obtain legal opinion as to the allowability of the mortgage payment through the cafeteria plan.

Conclusion – Response accepted.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Larry Crosby, Board President Owner of Super Wrench	Vehicle repairs and maintenance	\$ 2,104
Gary Mitterer, Board Member Owner of Country Store	School supplies	\$ 3,917

In accordance with an Attorney General's opinion dated November 9, 1976, the transaction with Board Member Mitterer appears to violate Chapter 279.7A of the Code of Iowa, which prohibits a director from acting as an agent for school supplies in an amount exceeding \$2,500. The transaction with Board President Crosby does not appear to represent a conflict of interest since the transactions were less than \$2,500 as provided by Chapter 279.7A of the Code of Iowa.

# FREMONT COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS

Year Ended June 30, 2004

### Part II: Other Findings Related to Statutory Reporting:

#### II-E-04 Business Transactions (continued)

Recommendation – The District should consult legal counsel to determine the disposition of this matter.

Response – We will consult our attorney.

Conclusion – Response accepted.

#### II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

#### II-G-04 Board Minutes – Except as noted in item I-E-04, no transactions requiring Board approval which had not been approved by the Board were noted. Notice that the District was accepting bids for a construction project was not published as required by Chapter 73A.18 of the Code of Iowa. In addition, the minutes were not signed by the Board President and Board Secretary.

Recommendation – The District should insure that all projects to be let for bid are included in future publications and that all minutes are properly signed as required.

Response – We will correct these deficiencies and will insure that all projects requiring bids are published in the future.

Conclusion – Response accepted.

#### II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

#### II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

#### II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education. However, we noted significant deficiencies in the amounts reported and the CAR was not filed by the due date. Also, the Non-fiscal sections of the CAR have not been filed with the Department of Education as of the date of fieldwork.

Recommendation – The District should ensure that the CAR is accurate and filed with the Department of Education in a timely manner in subsequent years. Also, the District should file the Non-fiscal sections of the CAR with the Department of Education as soon as possible for the year ended June 30, 2004.

Response – We will file our CAR by the due date for all future years and will file the Non-fiscal sections of this year's CAR with the Department of Education as soon as possible. We will make an effort to ensure accuracy in the future.

Conclusion – Response accepted.

FREMONT COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (continued):

- II-K-04 Section 125 Benefits Plan – We noted that the District offers employees participation in the IRS Section 125 cafeteria benefits plan. However, the District has no written policy covering participation. In addition, as noted in items II-C-04, not all benefits paid by the District are allowable under IRS regulations. We also noted that some cafeteria benefits are paid through the Special Revenue, Student Activity Fund.

Recommendation – The District should adopt a written policy outlining the cafeteria plan in effect. The District should also monitor benefits for allowability. In addition, the District should pay all future benefits through the District's General Fund only.

Response – We will discuss the adoption of the formal policy to cover our cafeteria plan participation. We will also pay all future benefits strictly through the General Fund only.

Conclusion – Response accepted.

- II-L-04 Deficit Balances – The District had unrestricted net assets deficits in the Enterprise, Daycare Fund and Enterprise, School Nutrition Fund of \$36,015 and \$5,428, respectively, at June 30, 2004. In addition, the Special Revenue Fund, Student Activities, had several accounts with deficit balances at June 30, 2004.

Recommendation – The District should analyze these funds to determine possible resolutions that will eliminate these deficits.

Response – The Daycare Fund is a new program with numerous start-up expenses that have not been recouped by revenues as of yet. We are in the process of reevaluating this program to determine whether changes need to be made to our fees charged, staffing or other expenses. We will continue to monitor this fund and work toward eliminating this deficit. We will also look at our meal charges and lunch participation to determine the best way to eliminate the School Nutrition deficit. We will investigate ways to eliminate deficits in individual Student Activity account.

Conclusion – Response accepted.

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